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SUBJECT: LEBANON: ECONOMY MINISTER NOW UPBEAT ON TELECOM
PRIVATIZATION

Classified By: Ambassador Jeffrey Feltman for reasons 1.4 (b) and (d)

SUMMARY

¶1. (C) Following a recent internal review of telecommunications privatization, Economy Minister Haddad was pleased with progress and hopeful that the sale of the two mobile licenses could be concluded by year-end. To complete the fixed-line sale, the GOL must sell 33 percent of the shares publicly to Lebanese buyers. Haddad said Minister of Telecommunications Marwan Hamadeh, seen as foot-dragging before, appears to be "with the program,". End summary.

¶2. (C) A cheerful Minister of Economy and Trade Sami Haddad reviewed recent progress in privatization of the mobile telecommunications sector at a July 25 meeting with the Ambassador and Econoff. Haddad, who said he was "very pleased" about recent government decisions, thinks that the GOL is meeting necessary milestones, and is on target for sale of the mobile licenses by the end of the year. He indicated that the actual sale will be a political decision, which will depend on the outcome of the presidential election, to be conducted Sept 25-Nov 24.

¶3. (C) According to Haddad, the GOL will sell 100 percent of the shares in the new company to be formed by the sale of the fixed-line business. (Note: The GOL will initially sell two mobile licenses, with a possible third going to the new owners of the fixed-line company.) Of that, 51 percent will go to the "strategic buyer" who will run the company, and 49 percent will be sold on the open market. While the strategic buyers may come from anywhere, at least 33 percent of the company must be sold to public shareholders who are Lebanese. The GOL will list the shares on the Beirut Stock Exchange and another exchange in the Gulf region. These decisions were based on recommendations by the GOL's consultants, JP Morgan and Citibank last week.

¶4. (C) Haddad and the Ambassador concurred that Marwan Hamadeh, the Telecoms minister, had been dragging his feet on telecom reform, but now Haddad feels that Hamadeh is "with the program." Haddad was meeting later that day with Hamedeh, the Telecommunications Regulatory Authority (TRA), the Higher Council for Privatization (HCP), and the consultants. He was quite firm in asserting that the GOL does not need any additional legislation in order to sell the licenses, a crucial point because the Lebanese Parliament is not meeting during the country's current political impasse.

15. (C) Comment: Haddad's comments confirm what we have heard from observers outside of the GOL who also feel that progress on Lebanese telecom reform is good, and privatization is on target. It is encouraging that internally the GOL seems to be unified in supporting the sale of the mobile licenses, a critical milestone in the government's reform program, and a critical piece of its Paris III commitment. End comment.
FELTMAN